

## Message Text

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11

ACTION EA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

/093 W

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P 081010Z APR 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 9491

C O N F I D E N T I A L KUALA LUMPUR 1860

E.O. 11652: GDS

TAGS: ENRG MY

SUBJ: LEGISLATION GIVING GOM MANAGEMENT CONTROL OF  
FOREIGN OIL DISTRIBUTORS

REF: A. STATE 078498 B. KUALA LUMPUR 1834

1. PER REF B LOWER HOUSE OF PARLIAMENT PASSED BILL  
APRIL SEVEN WHICH WOULD GIVE PETRONAS (NATIONAL PETROLEUM  
CO.) MANAGEMENT CONTROL OVER ANY COMPANY PROCESSING OR  
REFINING PETROLEUM, MANUFACTURING PETRO-CHEMICAL PROD-  
UCTS, OR MARKETING OR DISTRIBUTING PETROLEUM AND PETRO-  
CHEMICAL PRODUCTS IN MALAYSIA. BILL NOW GOES TO SENATE  
FOR PRO FORMA PASSAGE.

2. MANAGING DIRECTOR ESSO MALAYSIA CALLED ON AMBASSADOR  
TODAY APRIL EIGHT. RE-EMPHASIZED POINTS IN REFTEL B THAT  
BILL AMOUNTS TO NATIONALIZATION BY OBTAINING MANAGE-  
MENT CONTROL AT NOMINAL COST TO PETRONAS. STATED THAT  
THIS FIRST TIME ANY GOVT HAS INVOKED SUCH MECHANISM  
(MANAGEMENT CONTROL ON INVESTMENT OF ONE PERCENT OF PAID-  
UP CAPITAL) TO GAIN CONTROL OVER OIL COMPANY. DESCRIBED  
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APPROACH AS MUCH LESS EQUITABLE THAN MIDDLE-EAST WHERE

GOVTS INVESTMENT AT LEAST 51 PERCENT OF EQUITY CAPITAL  
TO GAIN CONTROL OF OIL COMPANY OPERATIONS.

3. COMMENT. WE PLAN APPROACH MINISTERS AND SENIOR OFFICIALS IN GOM REGARDING BILL. OUR PRINCIPAL ARGUMENT WILL BE THAT IMPLEMENTATION OF BILL (PROVISIONS OF BILL RELATED TO MANAGEMENT CONTROL BY PETRONAS COME INTO FORCE ON DATE TO BE APPOINTED BY PRIME MINISTER) WOULD HAVE SERIOUS ADVERSE AFFECT OVERALL INVESTMENT CLIMATE FOR FOREIGN COMPANIES IN MALAYSIA. (ESSO HAS HEARD INDIRECTLY THAT SEVERAL KEY MINISTERS AND GOVT OFFICIALS RECOGNIZE POTENTIAL DANGER TO INVESTMENT CLIMATE.) EMBASSY ALSO GATHERING REACTION OF OTHER AMERICAN BUSINESSES IN MALAYSIA OUTSIDE OIL INDUSTRY AS SAME MECHANISM COULD CONCEIVABLY BE APPLIED BY GOM TO OTHER INDUSTRIES.

4. ACTION REQUESTED. EMBASSY WOULD APPRECIATE ANY ADDITIONAL INFORMATION FROM WASHINGTON AND ANYTHING FURTHER WE MIGHT SAY UNDER INSTRUCTION.  
UNDERHILL

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, NATIONALIZATION, LEGISLATIVE BILLS  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition Reason:**  
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**TAGS:** ENRG, MY, PETRONAS  
**To:** STATE  
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